



October 23, 1998

Judi Johansen, Administrator
[Bonneville Power Administration](#)
PO Box 3621
Portland, OR 97208

Subject: Comments on [BPA Power Subscription Strategy Proposal](#)

Dear Ms. Johansen:

The Department of Community, Trade, and Economic Development is pleased to provide comments on the "Power Subscription Strategy Proposal." In general we think that BPA has done a good job of balancing regional interests and in finding a path towards the public interest. Specifically, we think that the proposed subscription framework is in the right direction and that the proposal for a rate discount will give useful signals to customers to invest in energy efficiency, renewable resources, and low-income weatherization. We also think that the list of the products and services shows excellent responsiveness to customer needs and the proposed method of implementing subscription, though not perfect, is on the right track. What follows are comments on specific parts of the proposal.

Subscription Framework

We believe that the expected distribution of power among customers is roughly appropriate. We see no reason why BPA should not offer the first 300 aMW of power allocated to the public utilities but not purchased by them to the residential and small farm customers of IOUs in order to reach the 1800 aMW requested by the Commissions of all four states. We also note that some concern has been raised--both on page 5 of the Subscription Proposal and in public comments-- that sales to IOUs "not displace low-cost nonfederal resources currently serving regional loads and be used to serve loads outside the region." This is an important principle that can be addressed in a number of ways. We know that the Commissions are evaluating the options and we are confident that they will find one that works.

Timing of Subscription

The DSIs have a legitimate concern that by allocating them firm power only to the extent that it is not sold to publics they will have to wait until November, 1999 or whenever

subscription closes before they can sign contracts with BPA. While DSIs can certainly talk to other suppliers in the meantime, it does put a difficult burden on those companies eager to make a purchase, especially if it becomes clear early in the process that the public will not take all of their allocation. Therefore, we recommend that BPA go back to some version of the earlier plan to have a gradually closing window in which BPA monitors the pace of sales and, if public are not signing up at the expected amounts, can open the subscription window to the DSIs. This will encourage public and private utilities to conclude their negotiations promptly while reducing the time the DSIs will have to wait.

Rate Discount for Public Purposes

We commend BPA for this initiative in support of energy efficiency, renewable resources, and low-income weatherization. We are pleased to be able to participate in the working group that is developing the details of how the rate discount will work. Since the working group will finish its work after the comment period on subscription closes, we wish to use this opportunity to emphasize our expectation that BPA's commitment will translate into a meaningful financial incentive for individual utilities. We have seen that investment in conservation and renewables by Washington utilities has, for the most part, fallen dramatically in recent years. We fully support BPA's pledge on page 17 of the Subscription Proposal to use its low rates to support its customers in meeting the Comprehensive Review's goals through local action.

BPA can achieve its objective of meeting the goals of the Comprehensive Review by following three principles:

1. BPA's financial commitment should be sufficient to substantially improve achievement. The purpose of the initiative should be to restore the region's leadership in these areas, not to reinforce the current low level of investment.
2. BPA should leverage its investment to maximize regional results. By providing rate incentives for utility investments *above* a minimum qualifying threshold, BPA will encourage higher levels of local investment while minimizing wholesale rate impacts. Leveraging will also provide incentives for each utility to devise its own path to least cost investments on behalf of its customers.
3. Qualification standards for the rate discount should be somewhat flexible for individual utilities. It is certainly useful to explore options such as tradable credits or allowing a range of expenditures across conservation, renewables and low-income programs. This will make it more likely that the region as a whole will achieve the Comprehensive Review's objectives while enabling individual utilities, especially small ones, to design programs in accordance with local needs. Flexibility should be applied in a way that supports achievement of the Comprehensive Review's goals *in the aggregate*. We are confident that a system can be designed that supports local control without compromising regional achievement of

energy efficiency, renewable resource, and low-income weatherization goals.

These three principles are interdependent. For example, the ability to provide local control without compromising achievement depends on leveraging levels of investment sufficient to accomplish regional goals.

Risk Management

In general, we believe that BPA has dealt satisfactorily with the following major issues: products and services, preserving low-cost service for small rural utilities, contract provisions, and reconciling its many statutory obligations. This will reduce the likelihood that other risk management tools will need to be invoked. We do think, however, that BPA would do well to move closer to the Transition Board's risk management approach, which allows the Cost Recovery Adjustment Clause to rise to market levels before borrowing from transmission revenues would begin, but does not cap such borrowing. We consider it unlikely that these mechanisms will be needed, but we believe it is important to demonstrate the ability to pay for the system equitably under the widest plausible range of circumstances.

We hope these comments are useful. Please contact us if you would like to discuss any of our points further. We commend Bonneville for the collaborative spirit in which it developed this proposal. We look forward to continuing our strong working relationship and providing whatever assistance we can in implementing subscription.

Sincerely,

KC Golden
Assistant Director
Energy Division